

TENNESSEE REGULATORY AUTHORITY



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March 15, 2005

Mr. J. Russell Buchan
Registered Agent
TriStar Gas Utilities, Inc.
195 Raulston Avenue
Monteagle, TN 37356

RE Docket No. 05-00054 – Application of TriStar Gas Utilities, Inc. to Obtain a Certificate of Convenience and Necessity to Provide Natural Gas Service to Grundy County, Tennessee.

Dear Mr. Buchan:

To further the Staff's investigation of TriStar's application for a Certificate of Convenience and Necessity (CCN) to provide natural gas service to residents of Grundy County, Tennessee, please provide additional information as listed on the attached Staff Data Request.

It is requested that this information be provided no later than 2:00 P.M. on Tuesday, April 5, 2005, and that you reference Docket No. 05-00054 on the response. In accordance with TRA rules, submit either thirteen (13) written copies of your response, or four (4) written copies and one (1) electronic version. Should you have questions regarding any item number on the attached request, please contact Pat Murphy (extension 178) or Gary Lamb (extension 172) at (615) 741-2904 for clarification before responding.

Sincerely,

Darlene Standley
Chief
Utilities Division

Enclosure
Pm05-17 TriStar

C: Chairman Pat Miller
Glynn Blanton

TRISTAR GAS UTILITIES, INC.
DOCKET NO 05-00054
APPLICATION FOR CCN TO PROVIDE GAS SERVICE TO GRUNDY CO.
STAFF DATA REQUEST – MARCH 15, 2005

When responding to the following questions, please repeat the question number and question, followed by the Company's response.

GENERAL:

1. Provide copies of documents showing that TriStar Gas Utilities, Inc. ("TriStar" or "Company") is incorporated in the State of Tennessee and its Certificate of Good Standing from the State of Tennessee
2. Provide an acknowledgement that the Company has read and will comply with the requirements of the Gas Pipeline Safety Act and the rules of the Tennessee Regulatory Authority ("TRA") for gas utilities as they relate to, among other things:
 - a. Filing requirements
 - b. Records retention
 - c. Uniform System of Accounts ("USOA") for gas utilities
 - d. Purchased Gas Adjustment ("PGA") Rule
 - e. Billing requirements
 - f. Safety requirements
3. Provide the names and addresses of the owners of TriStar and the percentage ownership of each.
4. Provide a current organizational chart of TriStar showing each officer and any other key personnel by name and title. Provide the name and telephone number of the person who will be the Company's contact for regulatory matters.
5. Provide letters from Middle Tennessee Natural Gas Utility and The Town of Monteagle Natural Gas Utility stating that they are unable or have no desire to serve the residents of your proposed service territory.
6. Provide copies of any notice(s) given to any utility, municipality, county, or governmental entity in the proposed service territory stating TriStar's intent to provide natural gas service to this area.
7. If applicable, provide copies of any franchise agreements or proposed franchise agreements with any city or with the county.

8. Provide a short Bio of each key employee who will be involved in the management and operations of the Company, supporting their managerial and/or technical expertise that qualifies them to operate a natural gas utility in the state of Tennessee.
9. Has the Company sought legal counsel in its endeavor to obtain a CCN to operate a public utility in Tennessee? If so, provide the name, address and telephone number of the attorney.
10. Does the Company have reasonable assurance that its initial issue of shares of stock can be sold within the time frame needed to fund Phase I of the project? What is the basis of the Company's belief?
11. Provide the basis and assumptions used by the Company to project its customer base for the first five (5) years.
12. Provide a copy of the tariff rates charged by the Town of Monteagle and Middle Tennessee Utility District. If the rates are not separated into base rates (the margin portion of rates) and the cost of the gas provided, provide that breakdown.
13. Concerning the thirty-one (31) mile long steel pipeline that TriStar intends to lease:
 - a. Has Mr. Srouji, pipeline owner, indicated willingness to lease rights to the pipeline?
 - b. Why is TriStar intending to lease rights to the pipeline, rather than purchase the pipeline?
 - c. Has TriStar entered into negotiations with the owner? If so, what is the status of those negotiations?
 - d. Provide a copy of the lease, if it exists, or a list of the terms that the Company has determined will be essential to the successful operation of the system.
 - e. Approximately when was the existing pipeline built? How long has it been abandoned?
 - f. Has an engineering survey been completed to test the condition of the pipeline? If so, provide a copy of the engineer's report.
 - g. What materials were used to construct this pipeline? Has it been protected from corrosion during the time it has been in place?
 - h. If the Company is successful in leasing the pipeline to transport gas to its customers, who will bear the cost of repairing and refurbishing this pipeline? Who will bear the cost of the ongoing maintenance and repair of the pipeline?
 - i. Does the Company have a contingency plan should the ownership of the pipeline change from the current owner to someone else?
14. Regarding the gas wells that the Company plans to purchase gas from initially:
 - a. Has the feasibility study been completed to ascertain the quality, availability and reliability of natural gas from these wells?

- b. Who is the owner of these gas wells?
 - c. Has the owner indicated a willingness to provide natural gas to TriStar for resale to its customers?
 - d. How will a gas cost rate be determined? TRA rules require that a Company's actual cost of gas be passed on to customers with no markup
 - e. Has a contract been entered into with Middle Tennessee Utility District to assure gas deliverability to its customers should gas be unavailable from the wells for any reason?
15. Have any necessary permits been obtained from TDOT, the county and/or cities for use of roadways and crossing railroads to lay gas pipes?
16. Does the Company plan to establish local offices in the primary service areas to provide for bill paying, customer service and customer complaints?
17. Has the Company established a procedure for reporting and responding to emergencies? If so, please describe.
18. Has the Company obtained a contractor to begin construction on Phase I? If so, provide the name of the company and business address, contractor's name and contact number.
19. Provide a detailed map of proposed pipe installation in Phase I. Include in your map details such as location of regulators, pipes, valves, etc., including the materials each is made of and a cost breakdown. Also state the pressure needed for each segment of the pipeline system. This information should support your construction cost estimate of \$469,575.
20. Substantiate the 17% used to estimate other costs.

FINANCIAL:

21. Provide a chart of accounts for the Company, following the NARUC Uniform System of Accounts (USOA) for gas utilities.
22. For all operation and maintenance expenses shown in your "Cash Flow Projection" schedule for Phase I, provide the appropriate NARUC USOA account numbers.
23. Provide the Company's assumptions, basis and calculations made to arrive at the projected monthly expense amounts for Year 1 on the "Cash Flow Projection" schedule for Phase I for **each** of the following expenses:
- a. Legal retainer
 - b. Engineer retainer
 - c. Lease
 - d. Electricity
 - e. Telephone

- f. Office supplies
 - g. Maps, Charts, etc.
 - h. Travel
 - i. Professional organizations
 - j. Training
 - k. Vehicles maintenance
 - l. Workman's comp insurance
 - m. Marketing
24. For those expenses that increase incrementally by month, such as Billing and Travel, provide the basis and calculations for those increases.
25. For those expenses that increase in Year 2, explain how that increase was arrived at for each expense.
26. Regarding the Maintenance Crew expense, are Maintenance Crew personnel on the Company's payroll or a sub-contracted expense?
27. A Maintenance Crew consists of how many crew members? State the hourly rate and expected number of hours worked per week for each crew member. Provide the calculation of the \$4,957 monthly expense.
28. Explain the term "Commissioner." Include the duties and basis for their compensation included as expense.
29. Provide a list of plant and equipment the Company currently owns, showing the purchase date and the original cost of each.
30. Provide a depreciation study to establish depreciation rates for each type of capital equipment (i.e. plant account) that will be on the Company's books.
31. Explain how the 5.00% inflation rate was arrived at.
32. Explain how the 2.3% bad debt percentage was arrived at.
33. What is "Land Owner's Royalty?" How does this impact the Company's financial statements?
34. What is "State Severance Tax?"
35. Has the Company obtained a bank loan to fund the initial start-up costs?
36. If so, what is the amount of the loan and the interest rate terms? Provide a copy of the loan agreement
37. Provide an estimate of the Company's annual interest payments for Year 1 and Year 2.

38. What rate structure has the Company used in its revenue projections (exclusive of its cost of natural gas)? Include any monthly customer charge (minimum charge) plus volumetric base rates for both residential and commercial customers.
39. Provide the number of residential and commercial customers projected by month for Year 1 and Year 2 and the estimated average monthly usage for a residential and a commercial customer.
40. Provide a price out of monthly revenues based on the information supplied in questions #36 and #37 above.
41. Actual gas costs are recovered from customers dollar for dollar by means of the Purchased Gas Adjustment Rule (PGA Rule) Gas costs are not considered by the Authority when setting rates Is the Company familiar with the TRA's PGA Rule 1220-4-7 and the filing and audit requirements contained therein?
42. Provide copies of any gas purchase contracts or transportation contracts the Company has negotiated with its natural gas suppliers.
43. Provide a restated Income Statement for Year 1 and Year 2, eliminating gas costs from revenues and showing expenses grouped under the correct NARUC USOA account number. Include Bad Debt Expense and Depreciation Expense as part of expenses.
44. Provide a restated Balance Sheet for Year 1, showing the NARUC USOA account numbers for the various entries.